

Department of the Treasury
Office of Thrift Supervision

Transmittal



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In the attached notice, OTS proposes to amend its regulations to conform with changes in the Uniform Financial Institutions Rating System (UFIRS) proposed for thrifts and banks by the Federal Financial Institutions Examination Council (FFIEC) in the July 18, 1996 edition of the *Federal Register*. A copy of the FFIEC notice is also attached. It is expected that, after reviewing comments, FFIEC will agree on a final version that would be adopted by the federal banking agencies.

At this time, OTS is proposing a change in its rules that would facilitate eventual adoption of the actual rating system changes.

UFIRS is a supervisory rating system used by all federal banking agencies to evaluate the safety and soundness of depository institutions on a uniform basis. The federal banking agencies have implemented UFIRS through the CAMEL rating system, which organizes the relevant UFIRS factors into five major areas (Capital adequacy, Asset quality, Management, Earnings and Liquidity).

FFIEC's proposed changes to UFIRS include the addition of a sixth rating category evaluating an institution's sensitivity to market risk. Currently, market risk is evaluated within other areas.

Various OTS regulations now refer to the CAMEL rating system. The CAMEL acronym, however, will be-

come obsolete. Therefore, in order to conform its rules to the new nomenclature, OTS is proposing to remove all references to the CAMEL rating. Instead, OTS regulations would refer more generally to the latest version of UFIRS or to any comparable rating system OTS may adopt in lieu of UFIRS. Other minor changes are also proposed.

The OTS notice of proposed rulemaking was published in the July 23, 1996, edition of the *Federal Register*, Vol. 61, No. 142, pp. 38114-38117. Written comments on the OTS proposal to conform its regulations to the new nomenclature must be received on or before September 23, 1996, and should be addressed to: Manager, Dissemination Branch, Records Management and Information Policy Division, Office of Thrift Supervision, 1700 G Street, NW, Washington, DC 20552.

The FFIEC proposed changes to the rating system were published in the July 18, 1996 edition of the *Federal Register*, Vol. 61, No. 139, pp. 37472-37478. Written comments on the proposed changes should be directed to the address cited in the FFIEC document.

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Attachments